

State of California  
BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

**Regulation 1641. CREDIT SALES AND REPOSSESSIONS.**

*References:* Sections 6006, 6011, 6012, Revenue and Taxation Code.  
Bad Debts, see Regulation 1642.  
Returns, Defects and Replacements, see Regulation 1655.  
Personal Property Leases Generally, see Regulation 1660.

**(a) IN GENERAL.** If tangible personal property is sold on credit, either under a security agreement, or otherwise the whole amount of the contract is taxable, unless the retailer keeps adequate and complete records to show separately the sales price of the tangible personal property, and the insurance, interest, finance, and carrying charges made in the contract. If such records are kept by the retailer, the insurance, interest, finance and carrying charges may be excluded from the computation of the tax.

**(b) CONTRACTS DESIGNATED AS LEASES.** If tangible personal property is, for all intents and purposes, sold, but the transaction is designated as a lease or rental for the purpose of retaining title in the seller as security for payment of the purchase price, or for the purpose of avoiding the tax, the transaction is taxable as a sale under a security agreement.

**(c) DUE DATE OF TAX.** The total amount of the tax on the entire sales price in credit transactions is due and payable on the due date of the return to be filed after the close of the reporting period in which the sale is made. No reduction in the amount of tax payable by the retailer is allowable by reason of his transfer at a discount of a sale under security agreements or other evidence of indebtedness.

**(d) REPOSSESSIONS.** No deduction is allowable in the event that property sold on credit is repossessed except where the entire consideration paid by the purchaser is refunded to him or where a credit for a worthless account is allowable.

*History:* Adopted September 16, 1959.

Amended March 8, 1961.

Adopted January 6, 1970, as a restatement of former Ruling 62 (Cal. Admin. Code 2042) and a portion of former Ruling 61 (Cal. Admin. Code 2041), effective February 7, 1970.

*Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.*